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DEC 3 1985

MEMORANDUM FOR: Deputy Director for Administration

FROM: Robert W. Magee
Director of Personnel

SUBJECT: Grade Banding Costs

1. Following the Deputy Director for Administration (DDA) Quarterly Review session in which you expressed concern over the costs of grade banding based on discussions you had with [redacted], I asked [redacted] to have his people look into [redacted] model to determine how he had come up with his projections. A meeting was held with [redacted] and the Office of Communications (OC) to discuss the model and the assumptions Ray was using.

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2. We found that in his discussion with you, [redacted] was speaking off the cuff about a worst case scenario which is not within the realm of possibility. In his discussion with you, [redacted] was working from the assumption that there were no monetary constraints on OC managers; that all communicators would continue to receive an average of 3.04 increments per year forever; that growth within the system will be unconstrained by any type of headroom; and, to arrive at the 480 percent figure, that all employees are distributed at the upper end of the GS grade range. All of these assumptions are incorrect.

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3. It is important to remember that in grade banding, costs are controlled through the budget. If we don't have the money, then we aren't going to spend more than we have. Agency management decides how much money is available to OC for annual increments, and OC management establishes detailed guidelines for the distribution of increments. A second point is that we believe the 3.04 average increment award granted this year by OC is too high, and OC has been advised. We cannot support a system which on the surface appears to be giving everyone the equivalent of one and one-half steps each year, when the GS averages about two-thirds step per year. It is just not politically sellable.

4. We have reviewed the model that [redacted] is working on, and believe that when all the proper assumptions are cranked in, it should be invaluable in assessing long-term costs for any pay system we are contemplating, including secretaries. We would expect that when [redacted] has finished the model, it would be turned over to [redacted] modeling group for maintenance and used in supporting our pay program efforts.

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Robert W. Magee

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